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SERVICE SECTOR INDICATORS

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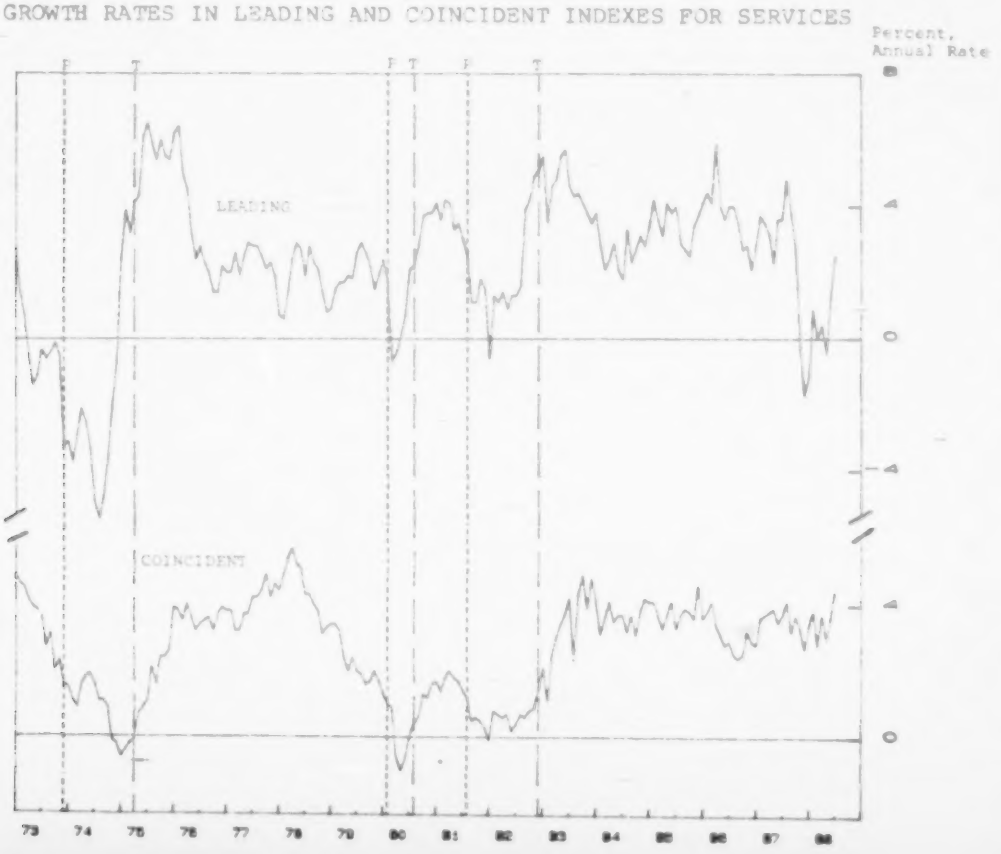
SOLID GROWTH IN SERVICES CONTINUES

In July the coincident index for service sector economic activity grew at a smoothed annual rate (see footnote to chart) of 4.4%, up from 3.6% in June. This is the largest growth rate in the index since the beginning of 1987 and suggests that current services sector activity remains buoyant.

The leading index, which has been found to lead service sector activity by about six months, grew at an annual rate of 2.5% in July, up from a revised 1.3% in June. While the latest result is encouraging, the performance of this index has been relatively subdued since November 1987. This weakness in the leading index suggests that services economic activity may moderate towards the end of the year or early 1989.

- Dr. Allan P. Layton

GROWTH RATES IN LEADING AND COINCIDENT INDEXES FOR SERVICES



Growth rates are based on the ratio of the current [illegible]

LEADING INDEX OF SERVICES, AND COMPONENTS

	Leading Index (1967=100)	Leading Index Growth Rate (%)	Average Workweek, Services (hours)	Construction Contracts, Commercial Buildings (mil. sq. ft., ann. rate)	S&P Stock Price Index, Services, (Mar. 87=100)	Index of Profit Margins, Services (1982=100)
	1.	2.	3.	4.	5.	6.
1987:						
Jan.	147.6r	2.8r	32.80	829	93.5	112.8
Feb.	148.6r	3.7r	32.99	756	97.5	113.0
March	148.9r	3.5r	32.92	799	100.0	112.6
April	149.1r	3.2r	32.95	827	95.0	113.3
May	148.7r	2.3r	32.99	743	93.6	111.9
June	150.0r	3.6r	32.88	904	100.1	113.3
July	150.4r	3.6r	32.93	857	101.1	113.6
Aug.	151.7r	4.8r	33.06	851	107.7	113.9
Sept.	151.4r	3.8r	33.00	884	103.4	113.6
Oct.	151.1r	2.8r	32.97	813	92.1	115.7
Nov.	149.0r	-0.3r	32.96	779	81.8	111.3
Dec.	148.1r	-1.7r	32.68	890	79.2	110.3
1988:						
Jan.	148.6r	-1.2r	32.88	716	82.3	109.8
Feb.	150.3r	0.9r	32.94	948	86.0	110.6
Mar.	149.8r	0.0r	32.70	771	87.5	111.9
Apr.	150.2r	0.4r	33.01	718	85.3	110.1
May	149.7r	-0.4r	32.77	716	83.0	110.6
June	151.0r	1.3r	32.85	782	89.2	111.5
July	152.1	2.5	33.03	771	88.7	---

COINCIDENT INDEX OF SERVICES, AND COMPONENTS

	Coincident Index	Coincident Index Growth Rate (%)	Services Output, GNP (bil. 1982$, ann. rate)	Services, Personal Consumption Expenditures (bil. 1982$, ann. rate)	Services Labor Income (bil. 1982-84$ ann. rate)	Service Employee Hours (bil., ann. rate)
	7.	8.	9.	10.	11.	12.
1987:						
Jan.	173.1r	2.8r	1769.9	1213.5	635.935	102.269r
Feb.	174.2	3.6	1778.2	1222.1	640.043	103.100r
March	174.7	3.7r	1784.5	1230.3	640.428	103.256r
April	175.3r	3.8r	1790.9	1232.1	642.172	103.776r
May	175.9r	3.9r	1797.2	1236.3	644.708	104.084r
June	176.0r	3.5r	1800.3	1238.1	643.458	104.339r
July	176.7r	3.7r	1803.5	1245.7	646.298	104.771r
Aug.	177.6r	4.1	1806.6	1250.1	652.241	105.332r
Sept.	177.3r	3.2r	1811.8	1244.5	649.286	105.391r
Oct.	178.3r	3.7	1817.1	1256.6	654.064	105.736r
Nov.	178.5r	3.3r	1822.3	1250.2	656.031	106.077r
Dec.	178.4r	2.7r	1826.0	1254.1	653.886	105.794r
1988:						
Jan.	179.5r	3.4	1829.7	1260.7	660.884	106.641r
Feb.	180.5r	3.8r	1833.4	1268.2	663.790	107.636r
Mar.	180.0r	2.8	1837.5r	1269.0	659.442	107.032r
Apr.	181.3r	3.7	1841.5r	1271.0r	669.368	108.109r
May	181.2r	3.0r	1845.6r	1272.3r	668.072r	107.786r
June	182.2r	3.6r	---	1282.3r	668.889r	108.582r
July	183.6	4.4	---	1286.0	675.776	109.595

Note: Cols. 2 and 8. The growth rates are six-month smoothed percent changes at annual rate, based on the ratio of the current month's index to the average for the preceding twelve months. r = revised.

Sources:
3. Bureau of Labor Statistics, Production and non-supervisory workers.
4. McGraw-Hill Company, F.W. Dodge Division. Seasonally adusted by CIBCR.
5. Standard & Poor's Corporation indexes for 13 service industries, compiled by CIBCR.
6. This series relaces 'Corporate Profits.' The new series is monthly and available on a more timely basis. It is constructed by CIBCR using the deflator for services consumption, labor income, and an experimental monthly services output index developed by the Federal Reserve Board.
9, 10. Department of Commerce, Bureau of Economic Analysis. Quarterly data for output are interpolated by CIBCR.
10. Department of Commerce, Bureau of Economic Analysis.
11. Bureau of Labor Statistics. Payroll index, 1977=100, converted to 1982-84 dollars by CIBCR, using CPI, All Urban Consumers, seasonally adjusted.
12. Bureau of Labor Statistics, all employees.

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